

**U.S. Department of Justice – Civil Division
Commercial Litigation Branch**

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**UNITED STATES BANKRUPTCY COURT
DISTRICT OF NEW JERSEY**

In re:	Chapter 11
BLOCKFI INC., <i>et al.</i> ,	Case No. 22-19361-MBK
Debtors. ¹	(Jointly Administered)

UNITED STATES' NOTICE OF ASSET SEIZURES

The United States Department of Justice hereby notifies this Court that it has seized certain property pursuant to federal criminal and civil seizure warrants.

BACKGROUND

On December 9, 2022, a grand jury sitting in the Southern District of New York returned an eight-count Indictment charging Samuel Bankman-Fried with conspiracy to commit wire fraud, wire fraud, conspiracy to commit commodities fraud, conspiracy to

¹ The Debtors in these Chapter 11 cases, along with the last four digits of each Debtor's federal tax identification number, are: BlockFi Inc. (0015); BlockFi Trading LLC (2487); BlockFi Lending LLC (5017); BlockFi Wallet LLC (3231); BlockFi Ventures LLC (9937); BlockFi International Ltd. (N/A); BlockFi Investment Products LLC (2422); BlockFi Services, Inc. (5965) and BlockFi Lending II LLC (0154). The location of the Debtors' service address is 201 Montgomery Street, Suite 263, Jersey City, NJ 07302.

commit securities fraud, conspiracy to commit money laundering, and conspiracy to defraud the United States and commit campaign finance violations. The charges in the Indictment arise from an alleged wide-ranging scheme by the defendant to misappropriate billions of dollars of customer funds deposited onto FTX, the international cryptocurrency exchange founded by Bankman-Fried. The Indictment includes forfeiture allegations, seeking to forfeit property that constitutes or was derived from proceeds traceable to the conspiracy to commit wire fraud, wire fraud, and property involved in the conspiracy to commit money laundering.

The Government expects that the evidence will show that Bankman-Fried defrauded FTX customers by misappropriating their funds for his personal use, including to invest for his own account, to make undisclosed venture investments, and to cover billions of dollars in expenses and debts of Alameda Research, a cryptocurrency hedge fund also founded by Bankman-Fried. Until at least in or about 2021, FTX directed its customers to deposit fiat currency into bank accounts controlled by Alameda Research. One of the ways that Bankman-Fried misappropriated FTX customer funds was by commingling and diverting these funds from the bank accounts containing customer-deposited fiat currency. The evidence will further show that the defendant made affirmative misrepresentations about the relationship between FTX and Alameda Research, the use of customer funds, and FTX's and Alameda Research's overall financial condition, thereby defrauding FTX's equity investors as well as Alameda Research's lenders.

The United States has seized 55,273,469 shares of the stock of Robinhood Markets Inc. and \$20,746,713.67 in United States currency (together, the "Seized

Assets”) from an account at ED&F Man Capital Markets Inc. pursuant to judicially authorized seizure warrants issued in the Southern District of New York. The seizures were effected pursuant to criminal statutes 18 U.S.C. §§ 982(a)(1) & 982(b)(1), and § 981(a)(1)(C) & 28 U.S.C. § 2461, as well as civil statutes 18 U.S.C. §§ 981(a)(1)(A) & (C), and 981(b), because the Seized Assets constitute property involved in violations of 18 U.S.C. §§ 1956(a)(1)(B)(i), 1956(h) and 1957 (money laundering) and/or the proceeds of violations of 18 U.S.C. § 1343 (wire fraud), or property traceable thereto.

The Debtor has asserted an interest in some or all of the Seized Assets in an adversary proceeding in this case to which the United States is not a party. The automatic stay does not apply to the United States’ actions, however, because the Seized Assets are not property of the bankruptcy estate. *See, e.g., United States v. Zaccagnino*, No. 03-10095, 2006 WL 1005042, *4 (C.D. Ill. Apr. 18 2006) (title to forfeitable property vests in the Government at the time of the offense, preventing property from entering the bankruptcy estate); *United States v. Erpenbeck*, 682 F.3d 472, 477 (6th Cir. 2012) (same). In any event, the seizure is governed by the criminal and/or police or regulatory power exceptions to the automatic stay in sections 362(b)(1) or 362(b)(4) of the Bankruptcy Code. *See United States v. Klein (In re Chapman)*, 264 B.R. 565, 572 (B.A.P. 9th Cir. 2001) (criminal forfeiture action excepted from automatic stay under section 362(b)(4)); *In re James*, 940 F.2d 46, 51 (3d Cir. 1991) (“A civil forfeiture action is an action by a governmental unit to enforce its police or regulatory power...”); *In re Perry Petroleum Equip. LTD, Inc.*, 564 B.R. 821, 824 (Bankr. M.D. Penn. 2017) (the automatic stay does not apply to commencement or continuation of a criminal action or proceeding against the debtor); *In re D’Angelo*, 409 B.R. 296, 298-99 (Bankr. D. N.J.

2009) (finding state action to disgorge proceeds of securities fraud is excepted from the automatic stay by 11 U.S.C. § 362(b)(4) even though the debtor is not accused of violating the law herself); *S.E.C. v. Towers Financial Corp.*, 205 B.R. 27, 29-31 (S.D.N.Y. 1997) (applying the 362(b)(4) exception to the stay to SEC enforcement action).

Dated: January 6, 2023

Respectfully submitted

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United States Attorney

/s/ Seth B. Shapiro
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ATTORNEYS FOR THE UNITED STATES
OF AMERICA

CERTIFICATE OF SERVICE

On January 6, 2023, I caused a copy of the foregoing to be served electronically through the Court's ECF system upon those who have entered an appearance in this proceeding, and through electronic mail on the parties listed below.

Dated: January 6, 2023

Respectfully submitted

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Principal Deputy Assistant Attorney General

PHILIP R. SELLINGER
United States Attorney

/s/ Seth B. Shapiro
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